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**MEMORANDUM FOR: Deputy Director/Intelligence**

**SUBJECT: Recommendations of Chairman, EDC Working Group No. III re Coordination and Implementation of U.S. Policies on Soviet Economic Penetration of Underdeveloped Areas**

1. The Chief of the Economic Defense Division in State, Louis W. Goodkind, in his capacity as Chairman of EDC Working Group No. III, recently submitted a memorandum to the Chairman, EDC on the subject indicated above. I think it desirable that you be apprised of the substance of this memorandum.

2. Goodkind made two major points: First, that EDC Working Group No. III which was designated by the Executive Committee to maintain a continuing examination of the extent to which current U.S. foreign economic policies and programs adequately serve as a general counterweight to Soviet economic penetration efforts, and to consider the need for special U.S. actions in particular instances, is not competent to discharge these functions. This EDC Working Group prepared general policy papers last spring for both the OCS and the CSRP with respect to the U.S. attitude toward the subject in hand. The Economic Defense organization is adequate for dealing with economic defense aspects of Soviet economic penetration, but not with military-economic aid, political, psychological and other aspects. Second, what is required is a body which can examine the entire picture and determine whether any action -- and if so, what action -- is called for in particular instances. Such a body should have a direct channel to the NSC, and a broad membership embracing competence in the political, economic, military, intelligence research, and psychological warfare fields.

3. Goodkind recommended that his Working Group's assignment concerning Soviet economic penetration be modified so as to limit its responsibility to that of formulating recommendations, when necessary, to EDC for the suitable expression of more strictly economic defense or

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strategic trade control concerns, and that NSAC consider the need and desirability of recommending the establishment within the U.S. Government of a competent mechanism for coordinating and implementing U.S. policy concerning Soviet economic penetration of the Free World.

4. There is a strong feeling in certain parts of State that a new interdepartmental group under the leadership of State is essential to coordinate overall U.S. policy and action in this field.

**OTTO E. GUTHE**  
Assistant Director  
Research and Reports

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